

## Message Text

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ACTION ARA-10

INFO OCT-01 NEA-09 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00

NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 PRS-01 PA-01 AGR-05 ACDA-05 NRC-05

DOT-00 FMC-01 CG-00 OFA-01 DLOS-03 /116 W

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O P 101558Z MAY 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 8698

INFO AMEMBASSY MEXICO PRIORITY

AMEMBASSY TEHRAN PRIORITY

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DEPT PLEASE REPEAT TO OTHER ADDRESSEES AS DESIRED

E.O. 11652: N/A

TAGS: PFOR, VE

SUBJECT: SHAH OF IRAN'S VISIT TO VENEZUELA

SUMMARY: THE SHAH OF IRAN MADE AN ELABORATE STATE VISIT TO VENEZUELA ON MAY 5-9. THE SHAH'S ACTIVE PROGRAM AND PRESIDENT PEREZ'S EXTENSIVE PERSONAL INVOLVEMENT WERE WELL DESIGNED TO CREATE AN ATMOSPHERE OF FRATERNITY AND SOLIDARITY BETWEEN THESE OPEC LEADERS. SUBSTANTIVELY, A JOINT DECLARATION ISSUED BY THE TWO HEADS OF STATE AT THE CONCLUSION OF THE VISIT REFLECTED BROAD AREAS OF AGREEMENT ON A NEW INTERNATIONAL ECONOMIC ORDER, THE FUTURE OF OPEC, AND VARIOUS FORMS OF COOPERATION BETWEEN VENEZUELA AND IRAN, INCLUDING AN AGREEMENT TO ESTABLISH A MIXED MARITIME OIL TRANSPORT COMPANY. THE DECLARATION ALSO INCLUDED STATEMENTS OF THE SHAH'S SUPPORT FOR VENEZUELA'S NATIONALIZATION POLICIES

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AND PEREZ'S SUPPORT FOR "PEACE AND SECURITY" IN THE PERSIAN

GULF. END SUMMARY

1. TO QUOTE A PHRASE FROM ONE LOCAL NEWSPAPER, VENEZUELA "SPREAD OUT A RED CARPET FROM THE AIRPORT RUNWAY TO CARACAS," TO WELCOME THE SHAH AND THE EMPRESS OF IRAN AND THEIR LARGE RETINUE. THE SHAH'S HEAVY SCHEDULE WAS FILLED WITH CEREMONIAL EVENTS, GLITTERING EVENINGS, TOASTS, AND DECLORATIONS. THE SHAH RECEIVED THE KEYES TO THE CITY OF CARACAS, VISITED HOUSING PROJECTS, SCHOOLS, AND A CATTLE RANCH IN THE INTERIOR, AND MET WITH VARIOUS VENEZUELAN GROUPS. THE CARACAS PRESS LAVISHED ATTENTION ON THE SHAH AND GAVE ALMOST EQUAL COVERAGE TO EMPRESS FARAH PHALAVI. THE OVERALL PUBLIC TONE OF THE VISIT AND OF STATEMENTS BY THE SHAH AND PRESIDENT PEREZ WAS ONE OF A WARM REUNION BETWEEN BROTHERS. BUILDING UPON THE CONTACTS BETWEEN THE SHAH AND PEREZ AT THE ALGIERS-OPEC SUMMIT, BOTH SIDES TRIED TO CREATE THE IMPRESSION OF MAXIMUM SOLIDARITY BETWEEN THESE TWO LEADERS IN DEFENSE OF THE OIL AND RAW MATERIAL-PRODUCING NATIONS.

2. THE THEMES WHICH RECURRED IN THE STATEMENTS OF THE SHAH AND PRESIDENT PEREZ WERE EMBODIED IN THE JOINT DECLARATION ISSUED ON MAY 9. THE PRINCIPAL POINTS IN THIS DECLARATION WERE AS FOLLOWS:

- THE TWO HEADS OF STATE REAFFIRMED THEIR SUPPORT FOR A NEW INTERNATIONAL ECONOMIC ORDER;
- CONSIDERED THAT THERE HAD TO BE A RELATIONSHIP BETWEEN THE PRICE OF OIL, RAW MATERIALS AND AGRICULTURAL PRODUCTS AND THE PRICE OF MANUFACTURED PRODUCTS, MACHINERY AND CAPITAL;
- EXPRESSED SATISFACTION OVER THE CLOSE TIES AMONG OPEC COUNTRIES AND AGREED THAT THIS COOPERATION SHOULD BE FURTHER STRENGTHENED;
- SIGNED THE NEED FOR OPEC COUNTRIES TO BEGIN COORDINATING THEIR FINANCIAL POLICIES, PARTICULARLY WITH RESPECT TO COOPERATION WITH OTHER DEVELOPING COUNTRIES;
- AGREED THAT THE PRICE OF PETROLEUM HAD CONTRIBUTED ONLY AN INSIGNIFICANT AMOUNT TO WORLD INFLATION;
- THE SHAH SUPPORTED PRESIDENT PEREZ'S POSITION ON THE NATIONALIZATION OF NATURAL RESOURCES;
- THEY EXPRESSED THE HOPE THAT IN THE NEAR FUTURE IT WOULD BE POSSIBLE TO RESUME THE DIALOGUE BEGUN AT THE PARIS PREPCON;
- AGREED THAT EXPERTS FROM THE TWO COUNTRIES SHOULD CONSIDER WAYS TO INCREASE FERTILIZER PRODUCTION TO ASSIST THE LIMITED OFFICIAL USE

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AGRICULTURAL OUTPUT OF THIRD WORLD COUNTRIES;

- SUPPORTED THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT WHICH THE WORLD FOOD CONFERENCE IN ROME ESTABLISHED LAST YEAR;
- EXPRESSED SATISFACTION OVER THE RECOMMENDATIONS PREPARED BY VENEZUELAN AND IRANIAN EXPERTS FOR CLOSER COOPERATION BETWEEN THE TWO COUNTRIES IN AGRICULTURE AND INDUSTRY, INCLUDING IN THE PRODUCTION OF SUGAR, MEAT, PETROCHEMICAL PRODUCTS, ALUMINUM,

STEEL AND PAPER;

-- AGREED TO COOPERATE IN THE CREATION OF A MIXED MARITIME OIL TRANSPORT COMPANY AND ESTABLISHED A TECHNICAL COMMISSION TO STUDY THE IMPLEMENTATION OF THIS DECISION;

- PEREZ SUPPORTED THE SHAH'S PROPOSAL FOR ESTABLISHING A WORLD ENERGY INSTITUTE;

-- THEY EXPRESSED THE DESIRE THAT THE PARTIES INVOLVED IN THE MIDDLE EAST CONFLICT REACH AGREEMENT AT THE NEXT GENEVA CONFERENCE OR THROUGH ANY OTHER PEACEFUL MEANS;

-- THEY SUPPORTED THE DECLARATION CONCERNING THE PROHIBITION OF NUCLEAR ARMS IN LATIN AMERICA. PRESIDENT PEREZ SUPPORTED THE IRANIAN PROPOSAL CALLING FOR THE RECOGNITION OF THE MIDDLE EAST AS A DE-NUCLEARIZED REGION. THE LEADERS SUPPORTED THE PROPOSAL TO DECLARE THE INDIAN OCEAN AS A ZONE OF PEACE;

-- THE SHAH EXPLAINED TO PRESIDENT PEREZ THE VITAL IMPORTANCE OF PRESERVING THE SECURITY OF MARITIME COMMERCIAL ROUTES IN THE PERSIAN GULF AND THE INDIAN OCEAN. BOTH LEADERS SUPPORTED THE IDEA THAT PEACE AND SECURITY MUST BE MAINTAINED THROUGH COOPERATION AMONG THE RIPARIAN STATES.

4. BOTH THE ACTING FOREIGN MINISTER AND SENIOR GOV OFFICIAL WHO WAS DEEPLY INVOLVED IN DRAFTING THIS DECLARATION TOLD EMBASSY OFFICERS THAT THE MOST IMPORTANT PART OF THIS DECLARATION FOR VENEZUELA WAS THE DECISION TO ESTABLISH A MIXED OIL TRANSPORT COMPANY. THEY THOUGHT THAT THE SHAH, WHO DEVOTED MUCH OF HIS OWN TIME AND WHO WORKED LATE AT NIGHT ON THIS DECLARATION, VIEWED THE STATEMENT ON THE PERSIAN GULF AS THE MOST IMPORTANT ELEMENT FROM HIS STANDPOINT.

5. THERE SEEMED TO BE VERY LITTLE DISCUSSION ON OIL PER SE. THE SHAH'S OFFICIAL PARTY WAS ALMOST ENTIRELY LIMITED TO ROYAL FAMILY HOUSEHOLD. NO OFFICIALS OF THE NATIONAL IRANIAN OIL COMPANY (NOIC) WERE REPORTED TO BE IN THE GROUP. EXCEPT FOR LIMITED OFFICIAL USE

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VISIT TO CIUDAD GUAYANA, WHERE THE MINISTER OF MINES AND HYDROCARBONS ACCOMPANIED AS ONE OF HOST ESCORTS, IRANIANS DID NOT MEET WITH MINES AND HYDROCARBONS MINISTRY OFFICIALS UNTIL MAY 8, ALMOST AT THE END OF THE VISIT. STATEMENTS IN THE DECLARATION ON RELATING OIL PRICES TO MANUFACTURED GOODS (INDEXING), DENYING THAT OIL IS REASON FOR WESTERN INFLATION, AND REAFFIRMING UNITY OF OPEC ARE BOILER PLATE COMMENTS WHICH TWO LEADERS HAVE COMMITTED TO MEMORY, AND DO NOT NEED TECHNICAL ADVISERS TO REMIND THEM HOW TO FORMULATE. ANY SERIOUS OIL TALKS PRESUMABLY WILL BE SUBJECT OF FOLLOW UP BILATERAL MEETINGS OR MAY SURFACE IN OPEC FORUM. IN A STATEMENT TO THE VENEZUELAN PRESS, THE SHAH SAID THAT ALL THE OPEC COUNTRIES WILL BE DISCUSSING THE QUESTION OF OIL PRICES, AGAINST THE BACKDROP OF THE UPWARD SPIRALING OF COSTS OF MANUFACTURED GOODS, BETWEEN NOW AND SEPTEMBER AND IN THAT MONTH WILL TAKE WHATEVER MEASURES ARE

NECESSARY TO PROTECT THEIR INTERESTS WITH RESPECT TO THE PURCHASING  
POWER OF PETROLEUM.

6. THERE HAS BEEN NO INDICATION AS YET THAT PEREZ AND THE SHAH  
DISCUSSED A POSSIBLE IRANIAN CONTRIBUTION TO THE INTER-AMERICAN  
DEVELOPMENT BANK, ALTHOUGH PEREZ REPORTEDLY TOLD A LE MONDE  
CORRESPONDENT IN EARLY MAY THAT HE WOULD RAISE THIS WITH THE  
SHAH.

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